



## FEDERAL RESERVE BANK OF CHICAGO

### TESTIMONY OF FRITZ RUF, EXECUTIVE DIRECTOR WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

AUGUST 13, 1998

#### WISCONSIN HOUSING AND ECONOMIC DEVELOPMENT AUTHORITY

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WHEDA supports equal  
housing opportunities for  
all persons



Thank you for this opportunity to testify on behalf of Bank One.

The Wisconsin Housing and Economic Development Authority is a state housing finance agency created in 1973. Our mission is to serve Wisconsin residents and communities by working with others to provide creative financial and technical resources to stimulate and preserve affordable housing, small business, and agriculture.

One of our oldest and most reliable partners is Bank One. Together, we have provided millions of dollars of affordable financial resources to Wisconsin home buyers, farmers and small business owners. Consider the following track record established by WHEDA and Bank One:

- 1,539 home purchase loans totaling \$72,765,867
- 41 home improvement loans totaling \$350,383
- Two beginning farmer loans totaling \$288,250
- 133 agricultural production loan guarantees totaling \$1,758,000
- 10 small business loan guarantees totaling \$1,055,278
- 23 small business loan subsidies totaling \$683,307

Moreover, Bank One was the first corporation to invest in Wisconsin Low Income Housing Credit developments. Today, Bank One has debt or equity investments in 35 Wisconsin communities.

While we are pleased with this record, we continually seek opportunities to do more. Recently, WHEDA and BANC ONE Community Development Corporation developed a means to create housing opportunities for low income Wisconsin renters. This innovative collaboration is called the Wisconsin Affordable Housing Alliance, LLC (the Alliance). The purposes of the Alliance are:

- To provide a permanent loan product for the financing of small non-metropolitan multifamily developments that use Low Income Housing Tax Credits.
- To leverage private capital for multifamily development.
- To fill a market need with a product not otherwise available in Wisconsin.
- To create quality rental housing for low- and moderate-income Wisconsinites in smaller markets.

Until the Alliance, Wisconsin tax credit developers had difficulty accessing long-term credit. Many relied on short-term mortgages with uncertain and unknown future terms. This mismatch of resource to purpose has limited the production of smaller-scale developments that are badly needed in many Wisconsin communities. Through the Alliance, developers can now plan their projects with more confidence, and also readily access equity from investors who favor such long-term financing.

The Alliance is targeted to smaller developments in non-metropolitan areas of Wisconsin where the need for affordable, long-term financing is most acute. The loan product will create housing for families and senior citizens whose income levels are consistent with the requirements of the Low Income Housing Tax Credit program.

Rental housing projects are eligible for financing if:

- The borrower is a single asset entity
- The development has received Low Income Housing Tax Credits
- The loan term is no more than 18 years and amortized for no more than 30 years
- The project loan to value is no more than 80%
- Debt service coverage is 1.10 minimum with rents below maximum allowed, 1.15 standard, 1.20 minimum for mixed-income developments

Both WHEDA and BANC ONE CDC contribute their resources, talents and experience to the Alliance. WHEDA provides marketing, underwriting and an initial infusion of \$1 million to capitalize the revolving loan fund. BANC ONE CDC also provided \$1 million as well as a \$10 million credit facility. The amount of lending that can be offered is unlimited as loans are sold on the secondary market.

The Alliance is already producing impressive results for Wisconsin renters. Since its inception in October 1997, the Alliance has lent \$1,975,000 to three developments containing 92 units. Presently, the Alliance has loan commitments totaling \$5,124,210.

The Wisconsin Affordable Housing Alliance, LLC is a first of its kind venture and a model for other states. We understand BANC ONE CDC is now working with state housing finance agencies in Illinois, Kentucky and Texas to replicate our success for the citizens of those states.

In closing, Bank One and WHEDA have produced a solid track record of affordable housing, agricultural and small business development in Wisconsin. WHEDA views Bank One as one of its most valuable and innovative partners.

I appreciate this opportunity to speak before the Federal Reserve Bank of Chicago on behalf of Bank One.

Thank you.

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B U S I N E S S



D E V E L O P M E N T  
C E N T E R

PUBLIC MEETING REGARDING THE PROPOSAL BY BANC ONE CORPORATION  
TO MERGE WITH FIRST CHICAGO NBD CORPORATION

presentation before the  
Federal Reserve Bank of Chicago  
public hearing on  
Thursday, August 13, 1998  
Chicago, IL  
by

Hedy M. Ratner, Co-President

Women's Business Development Center

And Member, National Women's Business Council, Illinois Women's Business Ownership  
Council and Governor's Commission on the Status of Women in Illinois

Thank you for the opportunity to present my response to the proposed merger of Banc One with First Chicago NBD. I am presenting at today's public hearing on economic opportunity issues to assist the minority and women's small business community of the Chicago metropolitan area and in support of First Chicago NBD and Banc One's merger and commitment to the letter and spirit of the Community Reinvestment Act.

Representing thousands of women and minority women business owners in the Chicagoland area, we were thrilled to learn about the \$4.1 billion agreement negotiated with First Chicago NBD to make thousands of residential and over 5,000 business loans over the next six years. We are also pleased with the addition of First Chicago banks in Dominick's Finer Food Stores in low-income communities.

The WBDC is involved in First Chicago NBD's continuing investment into low and moderate income families, businesses and neighborhoods and specifically in its continuing work to provide access to credit in those communities.

The Women's Business Development Center has had very positive first hand experience with First Chicago NBD since the inception of our organization which was founded in 1986. The WBDC provides counseling, entrepreneurial training, financial assistance, business and strategic planning, marketing and procurement assistance and assistance with loans to start-up, emerging and mature businesses. Our organization is now the oldest, and one of the largest most comprehensive women's business assistance centers in the U.S.

First Chicago has been our partner in economic development providing support for our organization; loans to our clients; funds for our collateral pool to collateralize small business loans; program-related investment for micro lending to our small women and minority start up businesses; participation as a lender in our Women's Business Bank Loan program; participation in our annual Entrepreneurial Woman's Conference and Women's Business and Buyer's Mart committing to vendor development and purchasing from minority and women business owners.

Recently, the Women's Business Development Center and First Chicago NBD and begun a wonderful partnership to provide business development, financial assistance and banking services to low and moderate income communities. First Chicago NBD and the WBDC are taking our programs and services on the road with the "Wheels of Business" mobile van to make our programs and services more available and accessible in the communities. This innovative new business program will bring information and services and counseling and training, banking services, credit advice and counseling and financial assistance and self-employment opportunities to economically disadvantaged communities. Women, and specifically those in low-income communities have often been left out of economic opportunities and face numerous barriers to economic self-sufficiency because of lack of affordable childcare and access to transportation. The "Wheels of Business" approach helps us provide resources, information and support to those who most need help to be economically self-sufficient.

We are also partnering with ACCION, a neighborhood micro-lender, which has received considerable support and encouragement from First Chicago NBD. With ACCION providing loans and WBDC providing business assistance, the small businesses in economically disadvantaged neighborhoods have a better chance for success and an opportunity for neighborhood revitalization. Another micro-lender CANDU has been our partner and a partner of First Chicago NBD for many years, lending and developing and supporting Chicago's economic strength.

The partnership of private and public sector, non-profit and for profit entities is also evident in First Chicago's involvement with the Capital Access Program, a state-based small business loan initiative begun in early 1997. CAP is now one of the most successful programs for access to capital for small businesses. CAP's incentive program provides more ways for First Chicago to approve loans to small business.

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For the WBDC and other community development organizations to truly understand the issues of small business lending in low and moderate income communities, we must be able to obtain gender and race based lender data that has been available for housing but not been available for small business. With good research data, we can develop the successful policies and programs for small business lending in the next century. We therefore look to First Chicago with Banc One to be the precedent setter and lead nationally in the federal regulating agencies Regulation B window of opportunity. The federal agencies are requesting comment and recommendations in Regulation B from the general public. Although our organization and hundreds of community and economic development organizations agree that the requirement of gender and race based commercial lending data is necessary for policy and program development, we would like to see the participation of major banks in this effort as well.

The WBDC and many of our colleagues across the nation are also very concerned about the effect major bank mergers will have on small business lending. The standardization of underwriting criteria, the removal of lending decision making from the first line banker which is the continuing trend in larger and merged banks, is detrimental to the growth of small businesses in the inner cities. Although intermediaries like the WBDC have had a major impact on lending to start up and emerging businesses, because of large bank mergers underwriting policies, we are having a more and more difficult time to get bank financing for our clients.

The WBDC proposes that with the merger of First Chicago NBD and Banc One that a continuing and expanded commitment to direct lending to emerging businesses be made. Although First Chicago NBD has supported organizations like the WBDC and micro lenders such as ACCION, we ask that a targeted pool of funds be dedicated to direct bank loans for start up and emerging businesses.

Thank you for the opportunity to present before you today.

Hedy M. Ratner, Co-Director  
Women's Business Development Center  
November

# New counseling program hits street

BY FRANCINE KNOWLES  
BUSINESS REPORTER

The Women's Business Development Center will soon hit the streets with a new mobile counseling program designed to spread the message of self-employment and business ownership to low-income communities in Chicago and the south suburbs.

The center's Wheels of Business partnership program with First Chicago NBD Corp. will use the bank's BankMobile to provide free outreach services in Robbins, Dixmoor, Ford Heights, Phoenix, Harvey and other areas.

The 40-foot converted recreational vehicle includes computers for online training and enough meeting space to provide mini-workshops, one-on-one counseling and referral services. It has two automated teller machines and two fully functional banking stations.

"Our goal is to help get businesses off the ground and to build capacity of existing businesses," said Hedy Ratner,



JIM FROST/SUN-TIMES

Hedy Ratner (left) and Jaribu Kitwana (center) of the Women's Business Development Center talk with First Chicago's Francisco Menchaca about Wheels of Business.

co-director of the Chicago-based center. "We're going to be doing counseling, training and providing financial assistance and outreach to women in communities that don't necessarily have access to child care and transportation. We're introducing the Women's Business Development Center to them."

First Chicago has been using the bankmobile to provide residents in targeted

communities with access to its banking services and products and to conduct workshops on such topics as the ABC's of banking, budgeting and money management and understanding credit.

Francisco Menchaca, vice president and manager of First Chicago's community outreach and education division, said the partnership with the center was a natural fit.

The women's center is one of six U.S. Small Business Administration women's business centers across the country that were awarded \$850,000 in grants this year to provide training, counseling and mentoring services, including welfare-to-work programs.

The Chicago center, which received \$150,000, and which, like the others, will receive additional funds during a five-year period, said portions of those funds will be used for its Wheels of Business program.

The bankmobile will set up shop at the Harvey YMCA from 4 p.m. to 7 p.m. on Aug. 31 and at locations in Robbins,

Turn to next page

## Counseling

Continued from previous page

Dixmoor, Ford Heights, Harvey, Phoenix and other communities starting in October. The vehicle will be staffed with a representative from the center and a First Chicago business loan specialist.

The program, open to men and women, is supported by the Cook County Department of Planning and Development and the Lloyd A. Fry Foundation. It is an expansion of center efforts targeting low-income communities. As a part of those efforts, for the past several months the center has been conducting workshops at the South Suburban YMCA in Harvey and at other south suburban sites. The workshops cover such topics as writing business plans, market research, financial analysis, borrowing money, expanding markets and re-establishing credit.

There's a great need for such "mobile" programs in low-income communities, said Vivian A. Hill, a 42-year-old public aid recipient who is participating in the center's workshops at the Harvey YMCA.

"If this were taking place downtown [in Chicago], I probably wouldn't be enrolled," she said, saying that parking costs would be prohibitive.

Hill enrolled in the workshops to help her start a not-for-profit drug abuse treatment program in Harvey. She said the workshops have helped her put together her business plan. "I have learned a lot about what to expect, the financial aspects of business, just all of the ground rules," said Hill, who plans to launch her business in the next few months. "My confidence level is greater."

Ratner hopes the center's new program will help others. "Economically and socially disadvantaged women face numerous barriers to economic self-sufficiency," she said. "This approach helps us provide resources, information and support on business ownership directly in the neediest neighborhoods."



The National Association of  
Government Guaranteed  
Lenders, Inc.

Statement

of

Anthony R. Wilkinson

President

and

Chief Executive Officer

of the

National Association of  
Government Guaranteed Lenders, Inc.

for the

Federal Reserve Bank of Chicago

Public Meeting

Regarding the Proposed Merger

of

Banc One Corporation and First Chicago NBD Corporation

August 13, 1998

Good afternoon, my name is Tony Wilkinson. For the last ten years I have served as the president and CEO of the National Association of Government Guaranteed Lenders, Inc., commonly known as NAGGL. NAGGL represents those members of the lending community who are active participants in the Small Business Administration (SBA) 7(a) loan program. NAGGL's membership accounted for approximately 80% of all the SBA 7(a) loans made during fiscal year 1997.

Prior to accepting my current position with NAGGL, I spent 13 years with a small commercial bank where my primary responsibility was managing the bank's SBA loan department. I have seen first hand how valuable the SBA loan programs are to small businesses, lenders and local communities. The SBA, through its loan programs, provides vital access to capital for our nation's small businesses.

I appreciate the opportunity to appear before you today and discuss Banc One's participation in the SBA 7(a) loan program and with our association. For the last few years, I have had the privilege of working with Brian Burke, the national SBA program manager for Banc One, and with other Banc One representatives across the country. Mr. Burke currently serves on the NAGGL board of directors as corporate secretary, and as secretary, is a member of the NAGGL executive committee.

I applaud the commitment Banc One has made to SBA lending programs. In particular, the bank has taken a leadership role in two specific areas. First, Banc One was one of the limited number of institutions chosen by SBA to pilot the Fa\$trak loan program, a loan program specifically designed to make smaller size loans. That program was deemed highly successful by the SBA, and the Agency is now in the process of expanding the program. Banc One representatives have been actively involved in the discussions with the SBA on how to expand the Fa\$trak program (to be renamed SBA Express) in an efficient, responsible manner.

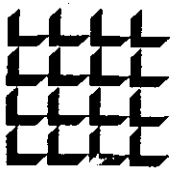


Banc One has also been actively involved in a special NAGGL committee, the task force on lending to the underserved. This committee has worked diligently with the SBA over the last several months, and we have concluded that there are a number of markets with underserved financing needs. These markets include small businesses that : (a) are owned by African Americans, Hispanic Americans, Asian Americans, Native Americans, other minority groups, women, veterans or handicapped individuals; (b) need financing for exporting; or (c) are located in distressed urban and rural areas.

An announcement on both the Fa\$trak expansion and initiatives to increase lending to the underserved markets is tentatively scheduled for September. Let me reiterate that Banc One representatives have played a major role in the development of both programs.

In conclusion, Banc One has been a valuable participant in the SBA 7(a) loan program. Banc One is also a valuable member of our association, and Mr. Burke is held in high regard amongst the NAGGL leadership and membership. Banc One has made a long term commitment to the program and they have shown how to be innovative with the SBA loan product. Even at a time when SBA loan volume is down nationally due to the nature of direct bank lending, Banc One still aggressively participates in SBA and NAGGL programs and activities. I believe that in the markets where Banc One operates, small businesses can expect to find a professional, committed SBA 7(a) lender ready to help meet their long-term financing needs.

Thank you again for the opportunity to comment today. If you need any further information, please contact me at NAGGL, PO Box 332, Stillwater, OK 74076-0332, phone 405/377-4022.



Indianapolis  
Neighborhood  
Housing  
Partnership

*"Recognizing the Value of Neighborhoods"*

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Public Meeting Regarding the Proposal by Banc One Corporation, Columbus, Ohio, to merge with First Chicago NBD Corporation, Chicago, Illinois

Testimony of Indianapolis Neighborhood Housing Partnership

Moirá M. Carlstedt, President  
3550 N. Washington Boulevard.  
Indianapolis, Indiana 46205-3719  
(317) 925-1400

Date: August 13, 1998, Federal Reserve Bank of Chicago

Thank you for this opportunity to address the Federal Reserve Panel. My name is Moira Carlstedt, I am the President of the Indianapolis Neighborhood Housing Partnership. (INHP)

The Housing Partnership was founded in 1988 to serve as both a catalyst and intermediary for affordable housing. The mission of the Housing Partnership is to expand the supply and sustainability of safe, quality and affordable housing for low and moderate-income citizens of Indianapolis.

Through partnerships with the federal, state and local government as well as philanthropic entities, community development corporations and financial institutions, the Housing Partnership has engaged in credit counseling, home ownership training and mortgage lending to the Indianapolis low to moderate income community. Our impact is recognized through the following statistics:

Since 1991, over 525 single family, mortgage loans have closed utilizing loan pool funds.

Since 1992, the Housing Partnership has sponsored aggressive financing mechanisms to support the development of 305 units of quality rental through the Low-Income Housing tax credit program.

Since 1993, the Housing Partnerships have conducted over 150 training classes for perspective borrowers.

Since 1994, over 400 pre-qualified applicants have been referred to lending partners. Additionally, we have provided credit counseling and mortgage access counseling for more than 5,000 clients.

3550 North Washington Boulevard, Indianapolis, Indiana 46205-3719  
(317) 925-1400 • FAX (317) 925-1408



Since 1995, approximately 110 unsecured, buyers' assistance loans have been extended to enable clients to buy a home.

The Housing Partnership has had a relationship with Banc One and First Chicago NBD since 1988. Both institutions have participated in two single family and one multi family loan pools. Banc One and First Chicago NBD represented 45.49% of the single family loan pool I, 40.00% of the single family loan pool II and 66% of the multi family loan pool. The loan pools have been the primary source of funds dedicated to creating housing opportunities for the low-to-moderate income families of Indianapolis. Additionally, among local financial institutions, since 1988 Banc One and First Chicago NBD have donated the largest amount of annual financial support to the Housing Partnership.

Excluding non-bank affiliated mortgage companies and brokers, in the area of bank lending, CRA evaluations and 1996 HMDA data confirms that collectively these two institutions have played a primary role in the mortgage-lending environment in Indianapolis. Specifically, First Chicago NBD through its affiliated mortgage company was a leading lender in first mortgages and Banc One was the leading lender in home improvement loans.

As the Banc One/First Chicago NBD merger moves forward, the Housing Partnership is concerned that the momentum and significant community impact of the affordable housing delivery system remains a priority activity for Banc One. We recognize and respect the business objective of cutting costs to maximize synergies and efficiencies. However, when the post merger bank evaluates its long-term support of providing affordable housing opportunities to our community, we strongly urge them to remain mindful of the following:

1. The post merger bank's impact on organizations such as the Indianapolis Neighborhood Housing Partnership, Community Development Corporations and all the other partners and stakeholders and their ability to sustain an effective affordable housing delivery system;
2. The tremendous financial investment to date of the philanthropic, government and not for profit sectors in creating affordable housing opportunities in the neighborhoods and the importance of the bank's continued participation;
3. The need for the financial community to play an even greater role than in the past in order to fuel continued development of affordable housing units and to create neighborhood economic development opportunities;
4. The profitable business opportunities that have been generated for the lending institutions through qualified mortgage customer referrals as a result of working in partnership with the Indianapolis Neighborhood Housing Partnership.

Indianapolis Neighborhood Housing Partnership board members and management have met with senior management of Banc One to express our concerns and solicit the bank's ongoing commitment to the Indianapolis neighborhoods and community. During conversations with

Banc One, senior management indicated that Banc One is committed to supporting the Indianapolis affordable housing community and The Indianapolis Neighborhood Housing Partnership. Bank management recognizes the social and economic value of a strong community partnership.

Therefore, based on:

- (i) the level of support Banc One has exhibited over the years to the community and to the Indianapolis Neighborhood Housing Partnership,
- (ii) the assurances we received from local bank management of continued support,
- (iii) our understanding that local bank management will continue to determine the direction of the bank's community commitment,

we are encouraged to believe Banc One will remain committed to INHP, affordable housing production and community development.

Thank you.